

**HARDING CARPETS**  
LIMITED

**1969**

**Forty-second Annual Report**



# DIRECTORS AND OFFICERS

## DIRECTORS

**JOHN D. CAMPBELL**, Hamilton  
*Director—Canadian Liquid Air Limited*

**FRANCOIS E. CLEYN**, Huntingdon, P.Q.  
*Chairman of the Board & Chief Executive Officer—Cleyn & Tinker, Ltd.*

**ALBERT DAVIDSON**, C.A., Brantford  
*President—Harding Carpets Limited*

**J. DOUGLAS GIBSON**, O.B.E., Toronto  
*Financial Consultant*

**C. MALIM HARDING**, O.B.E., Toronto  
*Chairman of the Board and Chief Executive Officer—Harding Carpets Limited*

**JOHN D. HARRISON**, Q.C., London  
*Partner—Harrison, Elwood, Gregory, Littlejohn & Fleming*

**FRANK D. LACE**, D.S.O., O.B.E., Toronto  
*President—Matthews & Company Limited*

**HUGH J. McLAUGHLIN**, Q.C., Toronto  
*Partner—McLaughlin, May, Soward, Morden & Bales*

**WILLIAM H. YOUNG**, Hamilton  
*President—The Hamilton Cotton Company Limited*

## OFFICERS

**C. MALIM HARDING**  
*Chairman of the Board and Chief Executive Officer*

**ALBERT DAVIDSON**  
*President*

**HUGH J. McLAUGHLIN**  
*Vice-President*

**ERNEST C. CARTER**  
*Vice-President*

**C. M. PALMER**  
*Vice-President, Marketing*

**PHILIP L. GUIT**  
*Vice-President, Manufacturing*

**J. W. ROSS CALDWELL**  
*Secretary-Treasurer*

**Head Office**—Brantford, Ontario

**Marketing Office**—Toronto, Ontario

**Plants**—Brantford, Guelph & Collingwood, Ontario

**Stock Exchange Listings**—Montreal, Toronto & Vancouver

**Transfer Agent and Registrar**—  
Montreal Trust Company  
Toronto, Montreal, Regina, Calgary & Vancouver

**Bankers**—The Royal Bank of Canada  
—The Toronto-Dominion Bank

**Shareholders' Auditors**—Price Waterhouse & Co.

*The Annual Meeting of Shareholders will be held on February 10th, 1970, at 11.00 a.m., at the Head Office of the Company.*

# COMPARATIVE HIGHLIGHTS

	Year Ended October 31		% Change from 1968
	1969	1968	
Sales.....	\$26,841,515	\$24,958,109	+ 8
Income before taxes.....	* 3,651,404	3,237,573	+ 13
Income taxes.....	1,814,171	1,544,600	+ 17
Net income.....	* 1,837,233	1,692,973	+ 9
Earnings:			
Per share.....	* 1.15	1.07	+ 7
As a percentage of sales.....	6.8%	6.8%	—
As a percentage of capital employed at start of year**.....	9.4%	10.6%	— 11
As a percentage of shareholders investment at start of year.....	18.3%	18.8%	— 3
Dividends paid to shareholders:			
Per share.....	.48	.48	—
As a percentage of earnings.....	* 42%	45%	— 7
Capital expenditures.....	2,886,878	566,091	+ 410
Depreciation.....	888,797	765,283	+ 16
Working capital.....	8,972,108	10,213,128	— 12
Ratio of current assets to current liabilities.....	1.9 to 1	3.5 to 1	—
Long term debt.....	6,824,123	7,095,000	— 4
Shares outstanding:			
Common.....	528,424	525,724	—
Class A.....	1,067,350	1,055,250	+ 1
Number of shareholders.....	2,725	2,509	+ 9
Salaries, wages and employee benefits.....	6,391,924	5,793,324	+ 10
Number of employees (average).....	1,078	1,041	+ 4

\*Before extraordinary item

\*\*Capital employed represents total assets less current liabilities



# REPORT TO THE SHAREHOLDERS

The past year has been one of significant progress for the company. The expansion of operations into the field of national distribution provides both diversification and the benefits of forward integration of our manufacturing activities. The advantage of controlling our own distribution strengthens the company's position in the competitive environment in which we operate today. For the future, it provides a sound base for growth.

In terms of diversification, the company now distributes underpadding, allied products and accessories to the soft floor covering trade. As a result, we provide a more complete service to our dealers and make a profitable and more viable distribution operation.

Commencing with the fourth quarter of 1969, sales now include the additional margin on carpet along with the sales of accessories sold through our new regional distribution centres. At the same time, selling and administrative expenses have been increased by the inclusion of the distribution expenses. In other words, future reporting will be on a different basis than in the past. It is noted that the sales growth of 8% for 1969 has been affected favourably by the above factors as well as adversely by the loss of sales due to the changeover in our distribution. The regional management made an outstanding effort in launching the new distribution and in a few months has rebuilt the volume to its former level.

A strike at our plant in Collingwood which started on October 31st and continued for seven weeks will affect the results of the first quarter of the new year. Despite a substantial offer in terms of current settlements in our industry, negotiations were complicated as a result of inter-union activities.

The outlook for 1970 must be regarded in the light of the government's anti-inflationary policies and its

effect on consumer spending. Nevertheless, the long term outlook for the carpet market is most promising and should continue to grow at a greater rate than the Gross National Product.

Although there may be financial problems facing the economy, we feel the company is in a strong financial position to continue to take advantage of the growth opportunities in our industry.

## Income

Net income for the year after income taxes and before the extraordinary item amounted to \$1,837,233 reflecting an increase of 9% over the previous year. The earnings per share of \$1.15 compares with \$1.07 reported for 1968.

The extraordinary item represents the start-up expense of the new distribution and the loss of margins on inventories which would otherwise have been in the hands of our former distributors. Earnings per share after providing for the extraordinary item amounted to 93¢.

Income for 1969 includes \$216,000 equal to 14¢ per share in connection with the grants earned under the designated area legislation for our plant in Collingwood. Up to October 31, 1969, a total of \$894,071 in grants has been earned and up to the same date \$575,116 has been applied to offset start-up expenses or included in income.

The amount of grants that will be included in income in 1970 will be slightly higher than for the past year. After 1970, the benefit to income from grants will be substantially lower and by 1973 will be negligible.

While sales for the fourth quarter show an increase over the same period in 1968, net income for the quarter is down due to higher selling and administrative expenses resulting from the inclusion of the new distribution. This quarter included the start-up period when the new regional volume was not sufficient to produce a normal profit.

## Dividends

During the year, dividends of 48¢ per share were paid which is the same as the previous year. A dividend of 12¢ per share has been declared payable January 2, 1970.

In light of proposals put forth in the government's White Paper, shareholders may be interested to note that dividends paid were \$764,819 and current income taxes payable for 1969 amount to \$1,254,371.

## Sales

In 1969, sales reached a new high of \$26,841,515 to show an increase of 8% over the previous year. Excluding automotive carpet discontinued in 1968, sales were up 9%. The chart on page 9 shows the sales growth over the past ten years.

It was inevitable that the change to our own distribution would result in the loss of some sales. While this had an adverse effect on the past year, the ownership and control of our own distribution will be of lasting benefit to the company.

Continued emphasis is placed on new products with the result that our Styling and Product Develop-

ment group developed 19 new products which were added to our line of carpets in 1969. The range of carpets in terms of both styling and price continues to be the most comprehensive offered to the trade in Canada.

Product support is provided through an intensive advertising and sales promotion program. Increased use of television is bringing the styling and quality story to the consumer while planned promotions and sales clinics are offered to retailers of our products.

Mr. C. M. Palmer has been appointed Vice-President, Marketing and our marketing organization is being expanded to keep pace with the growth of the market and develop the full potential of our own distribution.

The export market continues to receive our attention and the volume of shipments abroad increased over the previous year. While export represents a modest percentage of total sales, we are expecting further growth in 1970.

## Distribution

We commenced our own distribution on August 1st outside of the Province of Ontario. Since 1965, through the acquisition of L. & G. Floor Coverings, Ltd., we have owned our own distribution in Ontario. There are now six major distribution centres located at Moncton, Montreal, Toronto, Winnipeg, Calgary and Vancouver along with six satellite warehouses which provide national distribution from coast to coast. The major distribution centres are owned by the company and additional land has been provided for future expansion.

The distribution organization has been decentralized



on a regional basis. Our former field sales force and sales offices have been absorbed by the new regional organization resulting in some overall economies.

The forward integration of our manufacturing with distribution is of significant importance to the future of the company. Control of our own distribution provides a sound base for future growth and in bringing us closer to our customers, the retailers, enables us to better serve their needs.

The entry into national distribution also provides the company with the potential for growth outside the field of carpet manufacturing. While carpets are the major products handled by floor covering distribution, there are a number of allied products and accessory items which in total make an important contribution to both sales and profit. There are also opportunities to fill the needs of our customers by distributing types of carpet which we do not manufacture.

Our new distribution centres are now equipped to supply a complete range of underpadding and accessories to the retail trade. For a number of these products, we have been appointed exclusive distributors for Canada. In the Atlantic Provinces, we have been appointed exclusive distributor for a line of resilient floor covering.

### **The Carpet Market**

During the past year, the Dominion Bureau of Statistics revised previously published volume levels for the industry and these have been incorporated in the table on page 7.

The spectacular rate of growth in the market from

1961 to 1968 indicates an average annual increase of 16%. The consumption per household, while increasing at a slightly higher rate than in the United States, is still one-third below the level reached in that country.

The domestic market has traditionally represented the major outlet for carpets and by replacing other types of floor covering has been growing faster than net family formations. However, the commercial and institutional market is growing at an even faster rate than the domestic with the result that it is now an important source of growth for the industry. Carpet in schools is now generally accepted and hospitals are beginning to recognize the functional values of carpeting.

New and improved man-made fibres along with the tufting process have made possible the products and stylings that are gaining wider acceptance for carpet. A number of products are now offered that are suitable for kitchens and many types of commercial installations. These are durable, economical, easily maintained and have the added benefit of safety and comfort of soft floor covering. Needle punched products have contributed significantly to the market growth by making available a type of lower cost soft floor covering.

Developments within the industry both technological and in terms of products are proceeding at a relatively fast pace. Undoubtedly, the market potential has not yet been achieved for the many new carpets which have been developed for new uses. In addition to new construction, whether it is residential or commercial, there are many existing spaces still to be carpeted along with a growing replacement market.

Imports are currently running in 1969 at the rate of 7% over 1968. Although imports are increasing in

quantity, it would appear that they will have a lower share of the market in 1969.

Over the past four years, the company's sales have grown by 40% and while we continue to be the leader in the Canadian carpet industry, there has been some reduction in the share of market that we enjoy. From 1960, the number of carpet firms in Canada has grown from eight to eighteen in 1968 with the result that some of the market growth has been provided by these new suppliers. The Company does not produce needle punch soft floor covering which in recent years has added significant volume to the carpet market. The third main contributing factor to the change in our share of market is the decreasing role being played by woven carpet. This small but important part of the market has been decreasing both quantitatively and in market share. As your company is still active in the woven market, this means that our growth of the combined woven and tufted volume is not as high as it would be for tufting only.

## Financial Resources

Working capital at October 31, 1969 of \$8,972,108 shows a decrease of \$1,241,020 from the previous year. The investment in distribution centres largely accounted for this decrease. Other details of the factors affecting working capital are shown on page 14.

Debentures amounting to \$305,000 which were due for retirement in February, 1970 were purchased at a discount prior to the end of the fiscal year. The balance of long term debt maturing in one year shown under current liabilities represents the balance to be retired during the fiscal year 1970.

The inventory and accounts receivable requirements of our new distribution have been provided through bank borrowing. The amount of indebtedness to the bank of \$5,522,667 bears a reasonable relationship to total working capital. With a debt equity ratio of 38% and owning our major distribution centres, we consider the company to be in a sound financial position.

Inventories of \$11,323,656 show an increase of \$2,964,630 representing the inventories of our new distribution centres. With the increased volume in 1970, including a full year's operation of the new distribution, we look for a higher turnover in inventories.

Reference was made in our report last year to the growth in the amount of deferred income taxes, particularly in the past few years. The increase during the past year amounted to \$218,000 to bring the balance at October 31, 1969 to \$2,080,000. The amount of income tax deferred in 1969 is much lower than in recent years due to a significant reduction in the accelerated capital cost allowance available on assets acquired under the designated area legislation. There has been no change recommended for the treatment of deferred income taxes and the treatment in our accounts has been consistent with established practice and prior years.

## Capital Expenditures

Capital expenditures for the year of \$2,886,878 show a substantial increase over the \$566,091 in the previous year. Besides the regional distribution centres, a building addition of 36,000 square feet was provided for the Collingwood plant and additional tufting machines were installed.



In 1970, only minor capital expenditures will be required in distribution facilities. Expenditures of \$2,300,000 planned for next year will be devoted to expanding production facilities. Of particular importance is the addition of a screen printing plant along with a continuous piece dyeing operation. With

these additions, design and colour can be applied to tufted carpet to a degree that has only been possible up to now through the weaving process. This major capital expenditure will to some degree represent an investment in the future and by making available the latest development in the carpet industry will ensure

**CANADIAN MARKET\* (estimate)**

	Total Sq. yds. (000's)	% of total supplied by Canadian Mills	Canada	Consumption per Household (square yards) U.K.	U.S.A	Canadian Net Disposable Income Per Capita
1961	11,203	80.2	2.46	3.53	4.01	\$1,425
1962	11,736	85.8	2.49	3.70	4.53	1,513
1963	11,999	87.4	2.47	4.37	5.05	1,572
1964	15,806	87.2	3.14	5.04	5.82	1,633
1965	18,872	87.0	3.74	5.17	6.62	1,776
1966	23,525	88.4	4.54	5.23	7.29	1,899
1967	25,355	88.7	4.76	5.60	7.66	2,030
1968	30,426	87.1	5.53	6.00	8.70	2,156
% Increase 1968/61	171.6%	8.6%	124.8%	70.0%	117.0%	51.3%

\*Canadian, U.K. and U.S. statistics are revised from previous reports in accordance with latest available information. In addition, exports and automotive carpet have been excluded.



the company's continued leadership.

Capital expenditures provide for another addition to the Collingwood plant of 25,000 square feet, the provision for additional tufting capacity and spinning equipment. The latter will result in an increase of 200% in the yarn spinning capacity of the Collingwood plant.

### Personnel

It is with pleasure that we announce the appointment of Mr. Philip L. Guit as Vice-President, Manufacturing. Mr. Guit has served the company in a number of capacities over the past fourteen years and latterly as Manufacturing Manager.

The average employment throughout the year was 1,078 to show an increase of 37 over last year. As a result of the expansion of our distribution, the employment at year end was 1,152. There are now 63 employees who have completed 25 years of service or more.

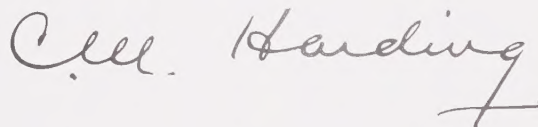
Of the four Union contracts due for renewal in 1969, three have been renegotiated, and one is still under negotiation. During 1970, three contracts come up for renewal.

The events of the past year and particularly the launching of our national distribution placed an extra burden on our management and staff as well as the management of the new distribution centres. Through their enthusiasm and dedication, this task has been successfully completed. In expressing our appreciation to the staff, we recognize the important contribution they have made over the past year.

### Annual Meeting

The annual meeting of the company will be held at the Head Office in Brantford on February 10, 1970. At that time, we look forward to meeting many of our shareholders and bringing you up to date on the progress of the company.

Respectfully submitted,



Chairman of the Board

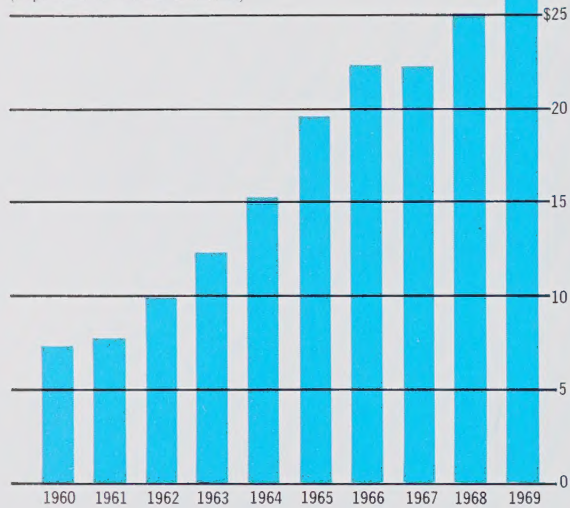


President

December 22, 1969

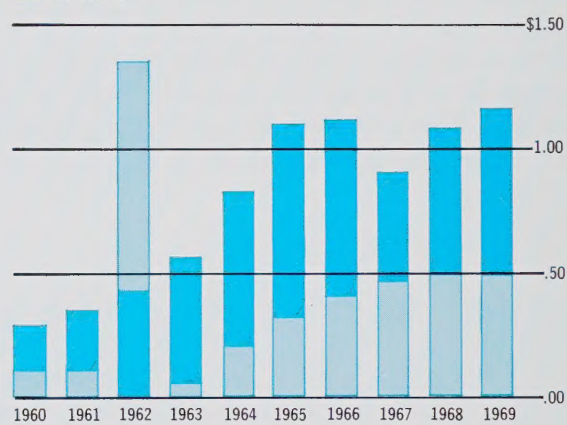
### NET SALES

(Expressed in millions of dollars)



### EARNINGS AND DIVIDENDS PER SHARE

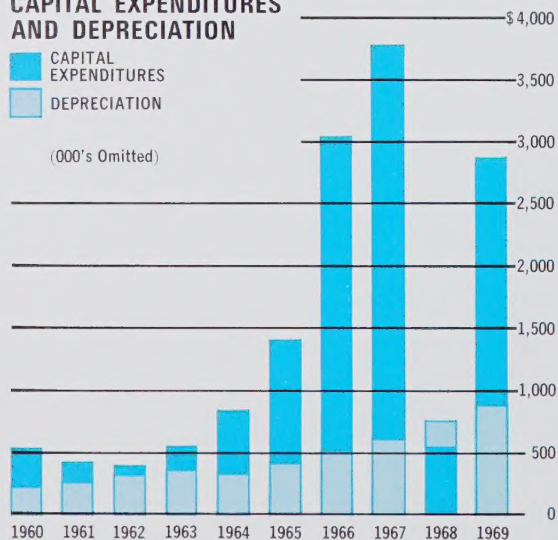
EARNINGS  
DIVIDENDS



### CAPITAL EXPENDITURES AND DEPRECIATION

CAPITAL EXPENDITURES  
DEPRECIATION

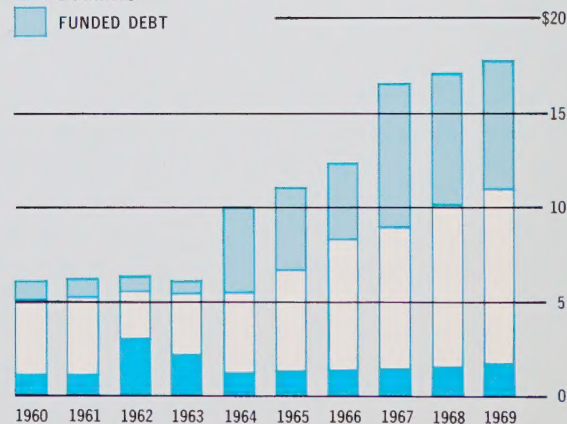
(000's Omitted)



### INVESTED CAPITAL

(Expressed in millions of dollars)

PAID IN  
RETAINED EARNINGS  
FUNDED DEBT





# CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended October 31	
	1969	1968
SALES.....	\$26,841,515	\$24,958,109
COST OF SALES.....	<u>19,402,495</u>	<u>18,377,096</u>
GROSS PROFIT from Operations.....	7,439,020	6,581,013
LESS: Selling, Administrative & General Expense.....	<u>3,489,356</u>	<u>2,926,605</u>
OPERATING PROFIT.....	3,949,664	3,654,408
DEDUCT (ADD): Debenture Interest.....	453,357	488,453
Other Interest.....	60,903	135,382
Government Grant — Collingwood.....	<u>(216,000)</u>	<u>(207,000)</u>
PROFIT before taxes on income.....	3,651,404	3,237,573
Taxes on income (Note 10).....	<u>1,814,171</u>	<u>1,544,600</u>
NET INCOME before extraordinary item.....	1,837,233	1,692,973
Extraordinary item (Note 8).....	<u>362,249</u>	<u>—</u>
NET INCOME for the year.....	1,474,984	1,692,973
ADD: Retained earnings at beginning of year.....	<u>8,307,330</u>	<u>7,369,471</u>
	9,782,314	9,062,444
LESS: Dividends paid common and Class A shares (1969 — 48¢, 1968 — 48¢).....	<u>764,819</u>	<u>755,114</u>
	<u>\$9,017,495</u>	<u>\$ 8,307,330</u>
Earnings per common and Class A share before extraordinary item.....	<u>\$1.15</u>	<u>\$1.07</u>
Earnings per common and Class A share.....	<u>\$ .93</u>	<u>\$1.07</u>

## Assets

## Auditors' Report

We have examined the consolidated balance sheet of Harding Carpets Limited and its subsidiaries as at October 31, 1969, and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

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# CONSOLIDATED BALANCE SHEET

## Liabilities

	October 31	
	<u>1969</u>	<u>1968</u>
CURRENT		
Bank loan.....	\$ 5,522,667	\$ 1,181,154
Accounts payable and accrued liabilities.....	2,811,388	1,865,228
Income taxes payable.....	656,430	750,808
Instalments on long term debt due within one year.....	<u>200,000</u>	<u>205,000</u>
TOTAL CURRENT LIABILITIES.....	9,190,485	4,002,190
LONG TERM DEBT (Note 4).....	6,824,123	7,095,000
DEFERRED INCOME TAXES (Note 10).....	2,080,000	1,862,000
DEFERRED INCOME (Note 5).....	318,955	457,593
SHAREHOLDERS' EQUITY		
Capital Stock (Note 6)		
Common shares without par value		
Non-voting Class A shares with a par value of 50¢ each		
Authorized		
Common shares — 1,000,000 shares		
Class A shares — 2,000,000 shares		
Issued and outstanding		
Common shares — 528,424 shares } .....	1,944,001	1,726,691
Class A shares — 1,067,350 shares }		
Retained earnings.....	<u>9,017,495</u>	<u>8,307,330</u>
	10,961,496	10,034,021
	<u><u>\$29,375,059</u></u>	<u><u>\$23,450,804</u></u>

of the companies as at October 31, 1969, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, December 22, 1969

PRICE WATERHOUSE & CO.  
Chartered Accountants.

# NOTES TO FINANCIAL STATEMENTS

Year ended October 31, 1969

## Note 1 — CONSOLIDATION

The consolidated financial statements include the accounts of Harding Carpets Limited and its subsidiaries, all of which are wholly owned.

## Note 2 — INVENTORIES

Valuation at October 31, 1969 at the lower of cost and market is consistent with previous years. Market price represents current replacement cost.

	1969	1968
Raw materials.....	\$ 1,064,976	\$ 919,762
Goods in process.....	2,343,917	2,209,562
Finished goods.....	7,914,763	5,229,702
	<u>\$11,323,656</u>	<u>\$8,359,026</u>

## Note 3 — FIXED ASSETS

	1969		1968	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 591,844	\$ —	\$ 304,618	\$ —
Buildings	7,492,140	1,289,608	6,195,367	1,118,681
Machinery & Equipment	9,985,331	5,567,241	8,747,945	4,893,763
	<u>\$18,069,315</u>	<u>\$6,856,849</u>	<u>\$15,247,930</u>	<u>\$6,012,444</u>

Depreciation charged on the books is based on straight line rates of 2½% for buildings and 9% for machinery and equipment. For the year ended October 31, 1969, the amount charged against income was \$888,797 (\$765,283 in 1968).

## Note 4 — LONG TERM DEBT

Series A, 6%, 1984.....	\$3,500,000
The sinking fund requirements call for payments of \$200,000 a year, leaving a balance of \$900,000 due in 1984.	
Series B, 6⅞%, 1987.....	2,290,000
The sinking fund requirements call for payments of \$105,000 per year, leaving a balance of \$610,000 due in 1987.	
Adjustment Assistance Board Loan, 6%, 1974...	774,225
The loan agreement requires semi-annual payments of \$100,000 each, the final payments being due in 1974.	
8% real estate mortgage repayable in monthly instalments of principal and interest of \$2,278 due in 1972.....	259,898
	<u>\$6,824,123</u>

Debentures totalling \$305,000 normally due for retirement in February, 1970 were purchased at a discount prior to the end of the fiscal year. The long term debt maturing within one year shown under Current Liabilities represents the balance to be retired during the fiscal year 1970.

## Note 5 — DEFERRED INCOME

This is the balance of Area Development grants in respect of capital expenditures in Collingwood to October 31, 1969, to the extent that they have not been taken into income. The Company has followed the practice of taking into income sufficient grants to offset start-up expenses in the first year of operations with one-third of the balance being brought into income in each of the three following

years. As additional grants are earned, they will be brought into income on a similar basis. In 1969, \$216,000 has been included in income (\$207,000 in 1968).

## Note 6 — EMPLOYEES' STOCK OPTIONS

Options for 2,700 common and 12,100 Class A shares were exercised during the year ended October 31, 1969, for a cash consideration of \$217,310. Options for 2,000 common and 20,050 Class A shares were granted during the year. At October 31, 1969, options on 6,576 common and 25,150 Class A shares had been granted but not exercised. Pursuant to the stock option plan approved by the shareholders in 1966, there are no future options available for granting. A new stock option plan was approved by the shareholders in 1969 and a supplement thereto has been approved by the directors and will be submitted to the next annual meeting of shareholders.

## Note 7 — DIRECTORS' AND SENIOR OFFICERS' REMUNERATION

Direct remuneration of directors and senior officers totalled \$245,500 during the year ended October 31, 1969 (\$229,800 in 1968).

## Note 8 — EXTRAORDINARY ITEM — \$362,249

This represents the distribution start-up costs including the loss of margin on inventories which would otherwise have been in the hands of former distributors less applicable income taxes of \$372,800.

## Note 9 — PENSION PLAN

In 1948 the Company introduced its Employees' Pension Plan. This Plan was integrated with the Canada Pension Plan and the Quebec Pension Plan in 1966. Employees contribute 5% of their earnings to these Plans with the Company making up the balance to provide a minimum benefit of 1¾% each year of service.

The Deferred Profit Sharing Plan was introduced in 1960. It is a trustee plan which is paid for completely by the Company and has to date been mainly invested in the shares of Harding Carpets Limited.

Since 1948 net pension and profit sharing contributions have been as follows (including subsidiary companies):

	Company Net Contributions	Employees Net Contributions
Past service.....	\$ 299,461	\$ —
Employees Pension Plan.....	962,102	1,183,620
Canada Pension Plan and Quebec Pension Plan.....	262,189	262,189
Deferred Profit Sharing Plan*...	450,874	—
	<u>\$1,974,626</u>	<u>\$1,445,809</u>

\*(The market value of the Deferred Profit Sharing Plan fund at October 31, 1969 was \$1,138,327).

The cost to the Company of the Pension Plans and the Deferred Profit Sharing Plan in 1969 was \$173,402 (1968—\$176,755).

## Note 10 — INCOME TAXES

Deferred income taxes arise as a result of claiming for income tax purposes maximum capital cost allowances which are in excess of depreciation recorded in the accounts. In 1969 this amounted to \$187,000 compared with \$718,000 in 1968.



# CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	Year Ended October 31	
	1969	1968
CURRENT ASSETS.....	\$18,162,593	\$14,215,318
CURRENT LIABILITIES.....	9,190,485	4,002,190
WORKING CAPITAL.....	<u>\$ 8,972,108</u>	<u>\$10,213,128</u>
SOURCE OF FUNDS		
From Operations:		
Net income for the year.....	\$ 1,474,984	\$ 1,692,973
Charges or (credits) not involving current funds:		
Depreciation.....	888,797	765,283
Deferred income taxes.....	187,000	718,000
Government grant.....	(216,000)	(207,000)
Other non-cash items.....	<u>(8,935)</u>	<u>84,883</u>
Total from operations .....	2,325,846	3,054,139
Government grant earned.....	77,362	90,643
Proceeds from mortgage.....	259,898	—
Issue of capital stock.....	217,310	103,815
Transferred to deferred income taxes .....	31,000	—
Disposal of fixed assets .....	<u>30,036</u>	<u>39,364</u>
	<u>2,941,452</u>	<u>3,287,961</u>
USE OF FUNDS		
Expenditures on fixed assets.....	2,886,878	506,091
Dividends paid .....	764,819	755,114
Long term debt.....	<u>530,775</u>	<u>505,000</u>
	<u>4,182,472</u>	<u>1,826,205</u>
WORKING CAPITAL INCREASE (DECREASE).....	<u>\$ (1,241,020)</u>	<u>\$ 1,461,756</u>

# 10 YEAR SUMMARY OF FINANCIAL DATA

(000's omitted)

	1969	1968
<b>OPERATING RESULTS</b>		
SALES.....	\$26,842	\$24,958
INCOME FROM OPERATIONS.....	\$ 5,007	\$ 4,502
Depreciation.....	889	765
Debenture interest.....	453	488
Amount written off investment.....	—	—
Profit before income taxes.....	3,651	3,238
Income taxes <sup>[2]</sup> .....	1,814	1,545
NET INCOME <sup>[1]</sup> .....	\$ 1,837	\$ 1,693
Net earnings per common and Class A share <sup>[1]</sup> <sup>[3]</sup> .....	\$ 1.15	\$ 1.07
Dividends paid <sup>[4]</sup> .....	\$ 765	\$ 755
Per preference share <sup>[5]</sup> .....	—	—
Per common and Class A share <sup>[3]</sup> .....	\$ 0.48	\$ 0.48
RETAINED EARNINGS FOR YEAR <sup>[6]</sup> .....	\$ 710	\$ 938
<b>CAPITAL EXPENDITURES</b> .....	\$ 2,887	\$ 566
<b>FINANCIAL POSITION</b>		
Current assets.....	\$18,162	\$14,215
Current liabilities.....	9,190	4,002
WORKING CAPITAL.....	\$ 8,972	\$10,213
Inventories.....	11,324	8,359
Fixed assets (net).....	11,212	9,235
Funded debt.....	6,824	7,095
SHAREHOLDERS' EQUITY.....	\$10,961	\$10,034
Equity per common and Class A share <sup>[3]</sup> .....	\$ 6.87	\$ 6.35
Return on common and Class A shareholders' equity <sup>[1]</sup> .....	16.8%	16.9%

<sup>[1]</sup> In 1969 before extraordinary item less applicable income taxes.

<sup>[2]</sup> Tax liability reduced in 1965, 1966 and 1967 by benefits of designated area legislation.

<sup>[3]</sup> Adjusted to reflect subdivision of each common share, on March 16, 1964, and each common and Class A share on February 11, 1967.



YEAR ENDED OCTOBER 31

1967	1966	1965	1964	1963	1962	1961	1960
\$22,040	\$22,089	\$19,350	\$15,001	\$12,058	\$ 9,886	\$ 7,587	\$ 7,084
\$ 2,809	\$ 3,695	\$ 3,589	\$ 3,179	\$ 2,335	\$ 1,856	\$ 1,456	\$ 1,182
609	531	426	335	375	329	284	230
414	260	270	203	46	51	56	61
—	—	—	—	60	60	60	—
1,776	2,894	2,886	2,635	1,849	1,411	1,051	882
366	1,133	1,209	1,340	895	699	531	448
\$ 1,410	\$ 1,761	\$ 1,677	\$ 1,295	\$ 954	\$ 712	\$ 520	\$ 434
\$ 0.90	\$ 1.12	\$ 1.08	\$ 0.82	\$ 0.56	\$ 0.43	\$ 0.35	\$ 0.29
\$ 723	\$ 626	\$ 505	\$ 334	\$ 183	\$ 2,089	\$ 175	\$ 175
—	—	—	5 <sup>3</sup> / <sub>4</sub> %	5 <sup>3</sup> / <sub>4</sub> %	5 <sup>3</sup> / <sub>4</sub> %	—	—
\$ 0.46	\$ 0.40	\$ 0.32	\$ 0.20	\$ 0.05	\$ 1.34	\$ 0.11	\$ 0.11
\$ 687	\$ 1,298	\$ 1,172	\$ 961	\$ 771	\$ 517	\$ 345	\$ 259
\$ 3,777	\$ 3,045	\$ 1,402	\$ 856	\$ 572	\$ 411	\$ 440	\$ 550
\$13,667	\$12,065	\$10,266	\$ 9,042	\$ 6,793	\$ 5,470	\$ 4,825	\$ 4,596
5,104	5,795	3,079	2,078	3,305	1,617	1,040	977
\$ 8,563	\$ 6,270	\$ 7,187	\$ 6,964	\$ 3,488	\$ 3,853	\$ 3,785	\$ 3,619
7,427	6,725	5,015	4,472	3,732	3,170	2,921	2,852
9,559	6,451	3,947	2,987	2,425	2,233	2,153	2,003
7,600	4,100	4,300	4,500	740	860	980	1,100
\$ 8,992	\$ 8,281	\$ 6,816	\$ 5,564	\$ 5,451	\$ 5,601	\$ 5,390	\$ 5,045
\$ 5.71	\$ 5.27	\$ 4.38	\$ 3.59	\$ 2.95	\$ 2.45	\$ 3.59	\$ 3.36
15.7%	21.3%	24.6%	22.9%	18.9%	17.7%	9.6%	8.6%

<sup>4</sup> Includes stock dividend of \$1,893,750 paid on the common shares in 1962.

<sup>5</sup> Preference shares redeemed February 17, 1964.

<sup>6</sup> For 1966 includes non-recurring profit less applicable income taxes.

# REGIONAL DISTRIBUTION CENTRES

## Management

Fred J. Cavanagh, Vice-President and General Manager  
Harding Carpets (Western) Limited

James H. Laing, Vice-President and General Manager  
Harding Carpets (Ontario) Limited

J. A. Yvon Hebert, Vice-President and General Manager  
Les Tapis Harding (Québec) Limitée  
Harding Carpets (Atlantic) Limited

## Locations

Vancouver — 4616 Canada Way, Burnaby

Calgary — 3030-9th Street S.E., Calgary

Winnipeg — 1555 Inkster Boulevard, Winnipeg

Toronto — 35 Worcester Road, Rexdale

Montreal — 1475 Montee de Liesse, St. Laurent

Moncton — 1220 St. George Boulevard, Moncton

Sales offices and satellite warehouses are located in  
Edmonton, Regina, Saskatoon, London, Halifax and  
St. John's, Nfld.

## Other Products Distributed

UniRoyal Ltd.*	— rubber underpadding
Trend Industries, Inc.*	— printed carpeting
Intervinyls Inc.*	— vinyl runners
Building Products of Canada Limited**	— resilient flooring
J. P. Stevens & Co., Inc.	— needlepunch carpeting & tiles
The Canadian Gypsum Company Ltd.	— felt underpadding
Dominion Foam Corporation	— foam underpadding
Roberts Company of Canada Limited	— installation tools & accessories

\* exclusive to Harding Carpets Limited

\*\*distributed in Atlantic provinces

ON THE COVER

Illustrated is Harding Carpets TAHITI shag in Marine Turquoise





1



2



3



4

- 1 Toronto
- 2 Moncton
- 3 Winnipeg
- 4 Montreal
- 5 Vancouver
- 6 Calgary



5



6



